United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, Committee on Government Reform, House of Representatives

March 2002

DEBT COLLECTION IMPROVEMENT ACT OF 1996

Major Data Sources Inadequate for Implementing the Debtor Bar Provision

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GAO-02-462

Report Documentation Page

Report Date	Report Type	Dates Covered (from... to)
00APR2002	N/A	-

Title and Subtitle DEBT COLLECTION IMPROVEMENT ACT OF 1996 Major Data Sources Inadequate for Implementing the Debtor Bar Provision	**Contract Number**
	Grant Number
	Program Element Number
Author(s)	**Project Number**
	Task Number
	Work Unit Number
Performing Organization Name(s) and Address(es) U.S. General Accounting Office P.O. Box 37050 Washington, D.C. 20013	**Performing Organization Report Number** GAO-02-462
Sponsoring/Monitoring Agency Name(s) and Address(es)	**Sponsor/Monitor's Acronym(s)**
	Sponsor/Monitor's Report Number(s)

Distribution/Availability Statement
Approved for public release, distribution unlimited

Supplementary Notes

Abstract
Notwithstanding present advantages, maximizing the effectiveness of information from the TOP database as a delinquency reporting tool would call for a number of changes, including improvements in agencies delinquent debt referral practices and enhancing or supplementing information currently maintained in the TOP database. Accelerating the referrals of delinquent debt to TOP to 90 days versus waiting 180 days to refer the debt is an option already available to agencies for certain types of debt and, regardless of agency in-house collection initiatives, may be in the best interest of the government since it could help accelerate collections.3 Other matters, such as retaining data from the TOP database concerning certain discharged or closed-out debts and debts more than 10 years delinquent and adding data on delinquent debts that are generally excluded from offset by FMS, could be addressed by FMS; however, FMS currently does not have plans to deal with these issues because it believes that information from the TOP database should be used in conjunction with other information sources, such as credit bureau reports and CAIVRS, to identify delinquent debtors for the purpose of denying them additional financial assistance. We believe FMS has a number of opportunities to improve the delinquent debtor information available to federal agencies in order to enhance the effectiveness of agencies implementation of DCIAs debtor bar provision, directed at achieving improvements in the available information.

Subject Terms

Report Classification unclassified	**Classification of this page** unclassified
Classification of Abstract unclassified	**Limitation of Abstract** SAR
Number of Pages 56	

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Abbreviations

CAIVRS	Credit Alert Interactive Voice Response System
CFO	Chief Financial Officers
CNC	currently not collectible
DCIA	Debt Collection Improvement Act of 1996
DOE	Department of Energy
EPA	Environmental Protection Agency
FHA	Federal Housing Administration
FMS	Financial Management Service
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
SBA	Small Business Administration
SSA	Social Security Administration
TOP	Treasury Offset Program
USDA	Department of Agriculture
VA	Department of Veterans Affairs

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

March 29, 2002

The Honorable Stephen Horn
Chairman, Subcommittee on Government Efficiency,
Financial Management and Intergovernmental Relations
Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

On October 10, 2001, we testified before your subcommittee on agencies' implementation of the Debt Collection Improvement Act (DCIA) of 1996.[1] While a primary purpose of DCIA is to maximize collections of delinquent nontax debt owed to the federal government, another significant aim of the law is to reduce losses arising from debt management activities by requiring proper screening of potential borrowers and sharing of information within and among federal agencies. As such, DCIA contains a provision that is intended to bar delinquent federal nontax debtors from obtaining additional federal financial assistance in the form of certain loans, loan insurance, or loan guarantees until the debtors resolve their delinquencies.[2] This report assesses the adequacy of existing tools and addresses the advantages and disadvantages of major information sources currently available or under development that federal credit agencies and lenders can use to identify delinquent federal debtors for the purpose of denying them additional federal financial assistance.

Presently, the major information sources that contain data on delinquent federal debtors are credit bureau reports, the Department of Housing and Urban Development's (HUD) Credit Alert Interactive Voice Response System (CAIVRS), and the Financial Management Service's (FMS) Treasury Offset Program's (TOP) database. To varying degrees, federal agencies report certain delinquent debtors to these data sources in accordance with

[1]U.S. General Accounting Office, *Debt Collection Improvement Act of 1996: Agencies Face Challenges Implementing Certain Key Provisions*, GAO-02-61T (Washington, D.C.: October 10, 2001).

[2]Section 3720B of title 31, United States Code, as amended by section 845(a) of the Agriculture Appropriations Act, fiscal year 2001, Public Law No. 106-387, sec. 1(a) 114 Stat.1549, 1549A-65 (2000), bars delinquent federal nontax debtors from obtaining federal financial assistance in the form of federal loans, loan insurance, or loan guarantees, except for disaster loans, marketing loans, or loan deficiency payments under subtitle C of the Agricultural Market Transition Act.

various statutes or regulations. However, to help ensure that federal financial assistance is denied to delinquent debtors as required by DCIA, federal credit agencies must have access to delinquent debtor information that (1) includes all debtors delinquent 90 days or more on federal nontax debts and (2) is maintained and updated until the delinquencies are resolved.

Results in Brief

The federal government does not yet have an effective data source for implementing DCIA's debtor bar provision. Although credit bureau reports, CAIVRS, and FMS's TOP database each contain certain information on delinquent federal nontax debtors, none of those information sources currently provides all-inclusive, timely data or maintains them long enough to allow it to serve as an adequate data source for successfully barring future financial assistance to debtors who are currently delinquent or who did not meet their obligations in the past. In general, the constraints relate to scope of reporting, adequacy of the data for this purpose, and the fact that data are subject to being routinely purged from these sources after a specified number of years. In view of these constraints, the risk of credit agencies' not barring all delinquent federal nontax debtors from obtaining additional federal financial assistance is increased.

As it now stands, it would appear that information from the TOP database, with modifications, provides the best opportunity to offer an adequate reference point for identifying delinquent debtors for the purpose of denying them additional financial assistance. Credit bureau issues are largely beyond the immediate influence of the federal government, and CAIVRS reporting is voluntary. Referral of delinquent debt to FMS for offset is already legislatively required, and agencies have major incentives to refer debt because collections through TOP have proven quite effective. Accordingly, information from the TOP database offers the major advantage of one referral addressing two purposes—collections as well as delinquency reporting.

Notwithstanding present advantages, maximizing the effectiveness of information from the TOP database as a delinquency reporting tool would call for a number of changes, including improvements in agencies' delinquent debt referral practices and enhancing or supplementing information currently maintained in the TOP database. Accelerating the referrals of delinquent debt to TOP to 90 days versus waiting 180 days to refer the debt is an option already available to agencies for certain types of debt and, regardless of agency in-house collection initiatives, may be in the best interest of the government since it could help accelerate collections.[3] Other matters, such as retaining data from the TOP database concerning certain discharged or closed-out debts and debts more than 10 years delinquent and adding data on delinquent debts that are generally excluded from offset by FMS, could be addressed by FMS; however, FMS currently does not have plans to deal with these issues because it believes that information from the TOP database should be used in conjunction with other information sources, such as credit bureau reports and CAIVRS, to identify delinquent debtors for the purpose of denying them additional financial assistance. We believe FMS has a number of opportunities to improve the delinquent debtor information available to federal agencies in order to enhance the effectiveness of agencies' implementation of DCIA's debtor bar provision, directed at achieving improvements in the available information.

Six of the nine CFO Act agencies that participated in our review by completing a survey on delinquent debt reporting responded they had no comment on a draft of this report, and one of the nine agencies did not respond to our request for comments. The other two CFO Act agencies agreed with our recommendations. FMS, however, disagreed with our conclusion that existing data sources are inadequate for implementing DCIA's debtor bar provision and also disagreed with our recommendations intended to improve the effectiveness of FMS's Barring Delinquent Debtors Program by enhancing or supplementing information from the TOP database. In disagreeing with our recommendations, FMS raised questions about the level of effort and resources required to have a database of the scale we envisioned; said there were uncertainties regarding its authority to collect, maintain, and use the data for this purpose; and noted that in

[3]DCIA requires federal agencies to transfer nontax debts delinquent more than 180 days to Treasury for the purpose of offsetting federal payments and for cross-servicing to collect delinquent debts owed to the federal government. Federal agencies may, at their discretion, refer valid, legally enforceable debts for administrative offset and cross-servicing that are less than 180 days delinquent.

general, existing data were adequate for implementing the debtor bar provision.

We disagree. Although cost associated with having a more comprehensive database of delinquent debtors needs to be considered, there may be relatively little extra cost because agencies are already required to provide much of this information for purposes of administering TOP. Also, FMS did not mention the tradeoffs involved—the associated benefits in the form of increased collections and avoiding making loans to applicants already delinquent on other federal loans. Regarding its authority to use information provided to TOP to implement the debtor bar provision, we do not see insurmountable issues. The options we asked FMS to pursue did not include any roles or responsibilities not already contemplated by the debtor bar provision of DCIA. However, given its role as the lead agency for federal debt collection, we would encourage FMS to seek any additional authority that it may deem necessary. Regarding the adequacy of existing data sources for carrying out the DCIA debtor bar provision, our review showed that individually and collectively, they currently fall short of what is needed to more fully implement this provision. Therefore, we continue to believe that FMS should pursue enhancing or supplementing information from the TOP database to provide agencies with a more comprehensive database of delinquent debtors to be used in barring such debtors from obtaining additional federal financial assistance.

Background

During a hearing on DCIA implementation held by your subcommittee in June 2000, concerns were raised that there were federal nontax debtors who were delinquent on more than one federal debt. Our October 10, 2001, testimony before the subcommittee reiterated concerns about delinquent federal nontax debtors' obtaining additional federal financial assistance because of the lack of an adequate information source that would facilitate agencies' identification of such applicants prior to approval of financial assistance.[4]

As previously stated, DCIA bars certain delinquent federal nontax debtors from obtaining federal financial assistance in the form of federal loans, loan insurance, or loan guarantees until the debtors resolve the delinquencies. FMS published final regulations on this statutory

[4]GAO-02-61T.

requirement on December 8, 1998. According to the regulations, for the purpose of denying federal financial assistance, a person's delinquent debt is resolved only if the person (1) pays or otherwise satisfies the delinquent debt in full; (2) pays the delinquent debt in part if the creditor agency accepts such partial payment as a compromise in lieu of payment in full; (3) cures the delinquency under terms acceptable to the creditor agency in that the person pays any overdue payments, plus all interest, penalties, late charges, and administrative charges assessed by the creditor agency as a result of the delinquency; or (4) enters into a written repayment agreement with the creditor agency to pay the debt, in whole or in part, under terms and conditions acceptable to the creditor agency.

For purposes of denying federal financial assistance under Treasury regulations, a debt is in delinquent status if it has not been paid within 90 days of the payment due date. Treasury has established 90 days delinquent as the trigger for denying federal financial assistance because it (1) allows sufficient time for debts to be referred to credit bureaus and (2) is consistent with standard lending practices, which classify a loan as nonperforming at 90 days past due.

The DCIA debtor bar provision does not expire as the debt ages. It applies even if the creditor agency has suspended or terminated collection activity on the debt or, in certain cases, discharged the debt.[5] As specified in Treasury regulations, for the purpose of denying federal financial assistance, a debt is in delinquent status unless (1) the person seeking federal financial assistance has been released by the creditor agency from any obligation to pay the debt, or there has been a determination that such person does not owe or does not have to pay the debt; (2) the debtor is the subject of, or has been discharged in, a bankruptcy proceeding, and, if applicable, the person is current on any court-authorized repayment plan; or (3) the existence of the debt or the delinquency of the debt is being challenged under an ongoing administrative appeal that was filed by the debtor in a timely manner.

[5]According to the Federal Claims Collection Standards, before discharging a delinquent debt (also referred to as a close-out of the debt), agencies must terminate all collection action. Upon discharge of an indebtedness, agencies must report the discharge to the Internal Revenue Service (IRS) in accordance with the requirements of 26 U.S.C. 6050P and 26 C.F.R. 1.6050P-1. IRS Form 1099C is used to report the uncollectible debt as income to the debtor, which may be taxable at the debtor's current tax rate.

Objectives, Scope, and Methodology

The objective of our review was to determine the advantages and disadvantages of existing major information sources, namely, credit bureau reports, CAIVRS, and the TOP database, to promptly identify delinquent federal debtors for the purpose of denying them federal financial assistance. To accomplish this objective, we developed and pretested a survey instrument to obtain agency responses to a uniform set of questions. The scope of this effort included the nine largest civilian Chief Financial Officers (CFO) Act agencies[6]—the Departments of Agriculture (USDA), Education, Energy (DOE), Health and Human Services (HHS), HUD, and Veterans Affairs (VA); the Environmental Protection Agency (EPA); the Small Business Administration (SBA); and the Social Security Administration (SSA). These nine agencies held about $40 billion of reported delinquent nontax federal debt as of September 30, 2000, which represented more than 90 percent of all CFO Act agencies' reported delinquent nontax debt. We surveyed these nine agencies on their debt-reporting practices. Because these agencies typically perform debt-reporting activities at the entity level rather than at the department level—within USDA, 22 individual entities (for example, the Rural Development Insurance Fund, Agricultural Credit Insurance, and Rural Communication Development) report debt information to Treasury—our surveys were completed at the entity level. We achieved 100 percent response from the 90 entities involved in our review. See appendix I for the number of participating entities, by agency and bureau, and appendix II for a copy of our survey instrument.

[6]The 24 CFO Act agencies are set forth at 31 U.S.C. 901(b).

We reviewed the survey responses and followed up with appropriate agency officials, where necessary, to obtain clarifications. Although we discussed certain survey responses with agency officials, we did not independently verify the reliability of the information that was provided. In addition, we conducted interviews with officials from four national credit-reporting agencies and HUD regarding credit bureau reports and CAIVRS, respectively.[7] We also conducted interviews with FMS officials concerning the TOP database and using the information from that database to bar delinquent debtors from receiving additional financial assistance.

We performed our work in accordance with U.S. generally accepted government auditing standards from January 2001 through October 2001. We requested written comments on a draft of this report from FMS and from the nine CFO Act agencies that responded to our survey on delinquent debt reporting. Although one of the nine agencies did not respond to our request for comments, six of the nine agencies responded that they had no comment on the draft report. FMS and the remaining two CFO Act agencies submitted written comments, which are discussed in the Agency Comments and Our Evaluation section of this report and are incorporated in the report as applicable. Comments from FMS, HUD, and VA are reprinted in appendixes III, IV, and V, respectively.

[7]We included Equifax, Experian, and Trans Union in our review of consumer credit bureaus, and Dun & Bradstreet and Experian in our review of commercial credit bureaus. Treasury provided these credit bureaus as contacts for federal agencies for reporting delinquent debtor information in the draft *Guide to the Federal Credit Bureau Program* released in September 2000. In October 2001, Treasury published its *Guide to the Federal Credit Bureau Program*, and, according to an FMS official, FMS has distributed approximately 900 copies to federal credit agency contacts, liaisons, and senior officials. The guide was developed to assist agencies in their compliance with current laws and regulations in an effort to encourage credit bureau reporting, as required and as authorized, in order to stem the rise in federal debt delinquencies. In the guide, the commissioner of FMS notes that reporting delinquent debt information to credit-reporting agencies, whether when required or as encouraged, is the direct responsibility of the respective federal agency, and the intent of the guide is to assist agencies in meeting those responsibilities. Subsequent to its issuance, effective January 22, 2002, the guide's designated credit-reporting agencies section has been modified to include INNOVIS for consumer accounts and Equifax for commercial accounts.

Major Sources of Information on Delinquent Federal Debtors

In order to comply with Treasury's regulations implementing DCIA's debtor bar provision, federal credit agencies must be able to identify debtors delinquent 90 days or more on federal nontax debts. Three major information sources—credit bureau reports, CAIVRS, and the TOP database—contain certain delinquent debtor information that may be useful in evaluating federal loan applicants. However, the extent to which delinquent federal debtor information is sent to and maintained by each of these information sources varies.

Credit Bureau Reports

DCIA requires most federal agencies to report all delinquent consumer nontax debts to credit bureaus.[8] For delinquent commercial nontax debts, federal agencies have been required by Office of Management and Budget (OMB) policy to report all such debts to credit bureaus since September 1983. FMS's *Guide to the Federal Credit Bureau Program*, which was issued in October 2001, currently recommends that federal agencies report delinquent consumer debt to four credit bureaus—Equifax, Experian, Trans Union, and INNOVIS—and commercial debt to three credit bureaus—Dun & Bradstreet, Experian, and Equifax. The credit bureaus receive and integrate into their respective databases credit information from federal agencies and from private sector entities. In turn, this information is sold in the form of credit reports, which are used for such purposes as determining creditworthiness and assisting with debt collection efforts. Treasury guidance states that federal agencies should report consumer debts monthly and commercial debts quarterly. Credit bureau reporting is important because federal agencies are required by OMB policy to use credit bureaus as a screening tool to determine if applicants for federal financial assistance are delinquent on any federal debt. Based on responses from the nine CFO Act agencies we surveyed, about $30 billion of these agencies' reported delinquent debt has been subject to credit bureau reporting.

Credit bureau reports include critical information for the debtor bar provision, including the number of days a debt is delinquent. As such, credit bureau reports are a relatively good information source for identifying certain delinquent federal nontax debtors. However, the information that credit bureaus are currently able to provide is limited for the purpose of denying federal financial assistance because (1) certain

[8] 31 U.S.C. 3711(e).

federal agencies' nontax debt that is 90 days delinquent, which is the trigger associated with the bar provision, is not all reported to credit bureaus and (2) by law, certain adverse credit information can be retained and reported by credit bureaus for only 7 years.

In response to our survey of nine CFO Act agencies, which together reported holding about $40 billion of delinquent nontax debt as of September 30, 2000, eight of the nine agencies indicated that they had not reported to credit bureaus about $9.8 billion of their delinquent debt as of that date. HHS's survey response stated that Medicare debt, which amounted to more than $5.2 billion, was exempted from the credit bureau reporting requirement by 31 U.S.C. 3701(d). Although reporting Medicare debt to credit bureaus is exempted by 31 U.S.C. 3701(d), this does not mean that HHS is legally precluded from such reporting. The exemption means that HHS may report Medicare debt but is not required to do so. In addition, section 3701(d) does not exclude Medicare debt from the debtor bar provision in 31 U.S.C. 3720B. Further, about $3.4 billion is not reported because the debts are guaranteed loans made by USDA's Commodity Credit Corporation to foreign governments. Agency officials stated that reporting foreign debt to credit bureaus would serve no useful purpose and, therefore, would not be cost-effective.[9] Also, our recent work revealed that some agencies may not be classifying certain credit losses as delinquent federal debt.[10] Other reasons cited by the agencies for not reporting delinquent debt included, at certain entities, (1) a lack of automated capability or system limitations to report to credit bureaus and (2) the validity of the debt could not be firmly established.

Two of the nine agencies we surveyed responded that they refer delinquent debts directly to credit bureaus and do not rely on Treasury's cross-servicing for such reporting. The other seven agencies indicated that although they may refer some of their delinquent debts directly to credit bureaus, they rely on FMS to report certain debts to credit bureaus on their behalf as part of cross-servicing. However, we noted that as of September 30, 2000, these seven agencies together reported about $1.4 billion of debt eligible for cross-servicing but had referred only about $330 million to FMS. Consequently, a significant amount of delinquent debt

[9]According to Treasury, for the most part, collecting these foreign delinquent debts is infeasible primarily because of foreign diplomacy considerations and affairs of state.

[10]GAO-02-61T.

is not likely being promptly captured by credit bureaus, which limits federal credit agencies' use of credit bureau reports to identify delinquent federal nontax debtors for the purpose of denying federal financial assistance.

Another problem with relying on FMS to report delinquent debts to credit bureaus as part of cross-servicing is that the debts would typically not be reported until well beyond the 90-day delinquency trigger for denying federal financial assistance. Under DCIA, agencies are not required to refer eligible debts to FMS for cross-servicing until they are delinquent more than 180 days. In addition, in order to give debtors advance notice of the potential reporting of debts to credit bureaus and an additional opportunity for the debtors to repay their debts, FMS waits from the date it receives the debts at least 30 days for commercial debts and 60 days for consumer debts before reporting these debts to credit bureaus. Based on the stated debt referral practices of the seven agencies we surveyed that indicated they rely on FMS to report certain debts to credit bureaus, debts would seldom, if ever, be referred to FMS for cross-servicing in sufficient time for FMS to report the debts to credit bureaus at 90 days delinquent. Moreover, according to FMS data, as of September 30, 2001, more than 50 percent of debt referred for cross-servicing governmentwide was more than 2 years delinquent at the time of referral. Therefore, it is important for agencies to refer delinquent debts directly to credit bureaus in accordance with FMS's *Guide to the Federal Credit Bureau Program*.[11]

[11]Federal agencies have two options for credit bureau reporting once they have referred cases to FMS for cross-servicing: (1) they may continue to report the cases to credit bureaus, and FMS will not do so, or (2) they may cease reporting, and FMS will report to credit bureaus on the agencies' behalf.

Aside from the fact that not all delinquent federal nontax debts are reported to credit bureaus and that many are reported much later than would be desirable, it is important to note that under the Fair Credit Reporting Act, adverse credit information for consumer debts can generally only be reported by credit bureaus for up to 7 years from the date of the initial missed payment. Therefore, for the purpose of identifying debtors with older delinquent consumer debts in order to deny them federal financial assistance, federal credit agencies cannot rely solely on credit bureau reports. Further, we noted that 3 of the 90 entities that responded to our survey indicated that they request the removal of certain debtors from credit bureau reports once they discharge debts, even though such debts do not always meet Treasury's criteria for debt resolution for the purpose of denying federal financial assistance.[12] According to a Treasury official, at this point, FMS is currently reviewing the issue of whether federal agencies should be allowed to remove, or should be precluded from removing, discharged debts from credit bureau reports. The official stated that Treasury currently does not have an official policy on this matter, but such policy may be established in March 2002. According to officials from two credit bureaus included in our review, information on discharged debts should not be removed from the credit bureaus so that the discharged debts will continue to be reflected on the credit bureau reports.

[12]Debts that are discharged but not resolved in accordance with Treasury's criteria for debt resolution (e.g., the debt is not cured or resolved under terms and conditions acceptable to the creditor agency) should continue to be considered as delinquent debts for the purpose of denying federal financial assistance to be in compliance with the delinquent debtor bar provision.

CAIVRS

CAIVRS was developed by HUD in the 1980s to assist its Federal Housing Administration (FHA) lenders in determining whether a borrower or coborrower was currently in default or had a claim on an FHA mortgage within the last 3 years by providing limited debtor information. HUD expanded CAIVRS during the early 1990s to include reporting of delinquent nontax debt from other federal agencies. Although the Federal Claims Collection Standards, which were revised in November 2000, strongly encourage agencies to report delinquent debts to CAIVRS in part to assist agencies in complying with the debtor bar provision of DCIA, agencies are not required by the standards to submit such debts to HUD for inclusion in the CAIVRS database.[13] Moreover, each federal agency determines its own criteria for reporting specific debts to CAIVRS. Therefore, CAIVRS has limitations as an information source for identifying delinquent nontax debtors for the purpose of denying federal financial assistance.

First, in part because agencies are not required to report to CAIVRS, only five of the nine agencies we surveyed indicated that they do report certain of their delinquent debts to CAIVRS. These five agencies indicated that they reported to CAIVRS about $23 billion, or about 58 percent, of the $40 billion of total delinquent debt the nine agencies reported holding as of September 30, 2000.

Second, CAIVRS contains limited information on delinquent debts. For example, CAIVRS does not include the date of delinquency or the number of days the debt is delinquent, which is critical for denying federal financial assistance under the authority of DCIA. While the data available through CAIVRS provide an indicator of indebtedness, the system does not contain sufficient data for determining whether to deny the debtor additional federal financial assistance. As such, those accessing the data have to contact the source agency to acquire the relevant information. Also, each agency that reports debts to CAIVRS can use its own discretion as to how long debts stay in the system. For example, three of the five agencies we surveyed that report debts to CAIVRS indicated that they remove certain debts from CAIVRS at the time they are written off,[14] and all five of these

[13] 31 C.F.R. 901.4(b).

[14] Generally, write-off is mandatory for delinquent debt older than 2 years. Once the debt is written off, or removed from the agency's accounting and financial records, the agency must either classify the debt as currently not collectible (CNC) or discharge the debt. Although CNC debts have been written off for accounting purposes, CNC debts have not been discharged and collection action can still be taken.

agencies indicated that they remove certain debts at the time they are discharged. As noted above, debts that are written off and discharged debts do not always meet the criteria for debt resolution for the purpose of denying federal financial assistance. Therefore, such practices can serve to defeat the fundamental objective of the debtor bar provision in DCIA.

FMS's TOP Database

TOP is a mandatory governmentwide delinquent debt matching and payment offset system. Section 3716 of title 31 of the U.S.C., as amended by DCIA, requires federal agencies to transfer nontax debts more than 180 days delinquent to Treasury for the purpose of offsetting federal payments to collect delinquent debts owed to the federal government. Under TOP, federal agencies may recover delinquent debt by (1) receiving offset federal payments due the delinquent debtor or (2) using debtor locator/address information provided by TOP to locate delinquent debtors.

Unquestionably, information from the TOP database could provide federal credit agencies with pertinent information about delinquent debtors for the purpose of denying additional federal financial assistance. The TOP database includes the date delinquency began for each referred debt; therefore, the number of days a debt is delinquent could be readily determined. In addition, FMS allows agencies to continually update their debt information in the TOP database.

However, the information from the TOP database also has some limitations. For example, one of the TOP database's downsides as an information source for identifying delinquent federal nontax debtors is that agencies do not promptly refer large amounts of delinquent debt eligible for TOP. First, as of September 30, 2000, the nine agencies we surveyed reported referring a significant amount—about $24 billion of about $28 billion of debt reported as eligible for TOP as of September 30, 2000—but still leaving about $4 billion out of this database that would be valuable in making loan or other financial assistance decisions.[15]

[15]In addition to the $40 billion of reported delinquent debt at the nine agencies we surveyed, these agencies held more than $25 billion in debts classified as CNC. The $28 billion of debt reported as eligible for TOP includes both debt more than 180 days delinquent and debt classified as CNC. The remainder of the delinquent debt and CNC debt was not reported as eligible for TOP because the debt was determined by the reporting agencies to be either less than 180 days delinquent or to have met the criteria for a TOP exclusion category (e.g., foreclosure or bankruptcy).

Second, we identified at least one exclusion type—debts in foreclosure—that while not eligible for referral to TOP would meet the criteria for barring delinquent nontax debtors from receiving additional federal financial assistance. Specifically, six of the nine agencies we surveyed reported having collectively about $1 billion of debts in foreclosure as of September 30, 2000.

Finally, agencies are not required by DCIA to report eligible debts for administrative offset until they are more than 180 days delinquent. This is well beyond the 90-day trigger for the purpose of denying federal financial assistance. Moreover, according to FMS data, as of September 30, 2001, more than 65 percent of debt referred to TOP for offset governmentwide was actually more than 2 years delinquent at the time of agency referral.

It is also important to note that debt information in the TOP database also lacks permanence in that, generally, debt information can be maintained in the TOP database for only up to 10 years.[16] In addition, TOP does not maintain debt information on debts that agencies discharge because agencies are prohibited from taking further collection action on such debts once they are reported to IRS as income. Further, we noted that four of the nine agencies we surveyed indicated that they request the removal of certain debts from TOP when the debts are written off. Therefore, given the lack of permanence of the nontax debt information in the TOP database, agencies could not rely solely on such information to identify all debtors with certain older delinquent nontax debts for the purpose of denying federal financial assistance.

FMS's Barring Delinquent Debtors Program

Information from FMS's TOP database is currently not available to agencies to identify delinquent debtors for the purpose of denying federal financial assistance. However, FMS is designing a new Internet-based program, to be known as the Barring Delinquent Debtors Program, to assist agencies in identifying delinquent debtors. According to FMS officials, the program will supplement other tools already available to agencies, such as credit bureau reports and CAIVRS. As currently envisioned, the program will allow agencies to initiate searches of information from the TOP database to

[16] According to Federal Claims Collection Standards, unless otherwise provided by law, administrative offset of payments under the authority of 31 U.S.C. 3716 to collect a debt may not be conducted more than 10 years after the government's right to collect the debt first accrued.

determine whether applicants for direct or guaranteed loans owe delinquent federal nontax debt.

However, as currently planned, the Barring Delinquent Debtors Program will make available only limited information on delinquent debtors. For example, creditor agencies and lenders will be given the debt number and agency contact information, including the agency name, address, and phone number, for any debt matched to the information extracted from the TOP database. While this information will provide an indicator of indebtedness, creditor agencies and lenders accessing the information will have to contact the source agency to acquire the relevant information for use in denying federal financial assistance. In this case, it appears that the Barring Delinquent Debtors Program will supply information similar to that provided by CAIVRS; however, because fewer agencies report their delinquent debt to CAIVRS, potentially more delinquent debtor information could be obtained from the TOP database.

Currently, FMS anticipates that the new program will be available before the end of fiscal year 2002. According to FMS, however, various legal and technical issues may influence implementation of the Barring Delinquent Debtors Program, including making pertinent data available to (1) appropriate agency personnel and (2) authorized private lending institutions involved in federal lending activities, while maintaining systems and data security.

In order to maximize the effectiveness of FMS's Barring Delinquent Debtors Program as a delinquent debt reporting tool, enhancements are needed that would ideally capture additional delinquent debt information that may not meet the criteria for TOP collection action but would be useful for purposes of the debtor bar provision. Such enhancements could include retaining information for delinquent debts that have been referred to TOP but are no longer eligible for collection action even though the debts had not been resolved in accordance with Treasury regulations. On the other hand, enhancing the information from the TOP database for the Barring Delinquent Debtors Program may or may not be appropriate for certain types of debt (e.g., debt from 91 to 180 days delinquent) because federal credit agencies are already required by DCIA to report such debt to credit bureaus, and credit-granting agencies are required to use credit reports as a way to determine whether an applicant for federal financial assistance owes a delinquent debt to the government. In the case of this newer debt, the need for augmenting the information from the TOP

database would hinge on the success of agencies' completely and timely reporting new delinquencies to the designated credit bureaus.

At a minimum, to improve the information available to federal agencies for implementing the debtor bar provision, information from the TOP database would need to be enhanced or supplemented to include, among other things, (1) delinquent debts that have been discharged but do not meet the criteria for debt resolution, (2) debts more than 10 years delinquent, and (3) debts that meet the criteria for exclusion from TOP but are nevertheless delinquent for purposes of the debtor bar provision, such as foreclosures.[17] However, according to Treasury officials, Treasury does not plan as part of its Barring Delinquent Debtors Program to expand the program to include any types of debt outside of those that are currently maintained in the TOP database because, as noted above, FMS plans for the program to be a resource for federal agencies to use in conjunction with other available tools, including credit bureau reports and CAIVRS. Yet, by not considering these enhancements, Treasury may not be maximizing the potential of the Barring Delinquent Debtors Program.

Conclusions

The federal government does not presently have an effective mechanism for ensuring compliance with DCIA's debtor bar provision. None of the three data sources we reviewed contain all of the necessary data, and the data maintained in each of the information sources are subject to being routinely purged after a specified number of years, even though the debtor bar provision may still apply. Therefore, individually and collectively, although helpful, the three data sources do not fully get the job done. We strongly support credit bureau reporting primarily because it provides a demonstrable incentive for delinquent debtors to repay the federal government so that their credit ratings will not be adversely affected. In addition, of the three major data sources, the TOP database has the

[17]According to a Treasury official, only debts that are eligible for offset and are included in the TOP database will be eligible for inclusion in the Barring Delinquent Debtors Program. Debts that have been written off but have not been discharged (e.g., debts classified as CNC) are included in the TOP database and may be included in the Barring Delinquent Debtors Program. Debts that have been discharged and are not eligible for offset are excluded from both the TOP database and the Barring Delinquent Debtors Program. In addition, certain debts that are more than 10 years delinquent may be offset and will therefore be included in the data used for the Barring Delinquent Debtors Program (e.g., defaulted student loan debt, which remains in the TOP database because there is no statute of limitations for collection on that type of debt).

potential to be the most comprehensive source of information on delinquent federal debtors for the purpose of the debtor bar provision. By enhancing or supplementing information currently maintained in the TOP database and allowing federal agencies access to certain current and historical data on delinquent debtors, Treasury can improve the information available to federal agencies to enhance the effectiveness of agencies' implementation of the DCIA debtor bar provision. Also, if agencies successfully reported delinquent debts to credit bureaus in accordance with FMS guidance, thus making data on newer delinquencies available, and if information in the TOP database were enhanced to provide additional information on ongoing and older delinquencies, there would be opportunities to assess the necessity of CAIVRS reporting at some future date. Unless improved access to delinquent debt information is achieved, the risk that delinquent federal debtors would be able to secure new forms of financial assistance from federal credit agencies will continue.

Recommendations for Executive Action

To assist federal agencies in identifying delinquent debtors for the purpose of complying with DCIA's debtor bar provision, we recommend that the commissioner of FMS pursue maximizing the effectiveness of the Barring Delinquent Debtors Program by enhancing or supplementing information from the TOP database that will be made available for the program. Specifically, such enhancements should include data on

- discharged debts that do not meet the criteria for debt resolution,
- debt delinquent more than 10 years, and
- debt normally excluded from TOP referral but delinquent for purposes of denying additional federal financial assistance (e.g., foreclosures).

Agency Comments and Our Evaluation

We received written comments on a draft of this report from FMS and two of the nine CFO Act agencies that participated in our survey on debt-reporting practices. Six of the remaining seven CFO Act agencies advised us that they had no comments, and one did not respond. HUD and VA agreed with our recommendations that FMS pursue maximizing the effectiveness of FMS's program to help agencies identify delinquent federal debtors by enhancing or supplementing information from the TOP database. The commissioner of FMS largely disagreed with our recommendations as well as the basic premises underpinning the need for improved quality of such information.

FMS stated that its Debt Check Program, known as the Barring Delinquent Debtors Program at the time we completed our fieldwork, will result in significant benefits to agencies and governmentwide debt collection efforts with existing data already captured in the TOP system. FMS characterized our recommendations as (1) essentially requiring a costly new computer system rather than merely using information it already has, (2) questionable from a legal perspective, and (3) not necessary because existing data sources, particularly credit bureau reports, are adequate for implementing DCIA's debtor bar provision.

We do not agree with FMS's characterization of our recommendations. Our recommendations to FMS were aimed at meeting the clear requirement of DCIA that delinquent federal debtors generally be barred from obtaining additional specified types of federal financial assistance. In assessing the three data sources that contain information on delinquent federal debtors, we found that the TOP database provides the most promising information in this area. At the same time, information from the database has some limitations that could not be overcome fully by using credit bureaus and CAIVRS in conjunction with the TOP database. Our recommendations were targeted at maximizing the effectiveness of FMS's Barring Delinquent Debtors Program by enhancing or supplementing information from the TOP database that would be made available for the program. In this regard, we realized that there may be alternative approaches to effectively achieving the legislative objectives of the debtor bar provision. Accordingly, we couched our recommendations in terminology asking that FMS consider three ways of strengthening available data in pursuit of this goal.

During our review, we saw FMS's effort to develop the Barring Delinquent Debtors Program as both meritorious and necessary to address the fundamental concerns that gave rise to the DCIA provision calling for the federal government to be able to preclude those who had not resolved delinquent loans from obtaining additional federal financial assistance. We agree with FMS that the existing data already captured in TOP will result in significant benefits to agencies and governmentwide debt collection efforts. In no way have we questioned the merits of TOP. At the same time, we identified basic data limitations in FMS's Barring Delinquent Debtors Program that limit FMS's ability to fully meet the DCIA debtor bar provision. FMS's response to our draft report indicates it is not willing to invest in efforts to improve the capability of an initiative that could address the specific legislative requirement and concurrently help upgrade the overall federal internal control environment for minimizing abuses

stemming from delinquent federal debtors applying for and receiving additional federal financial assistance.

With regard to its three main arguments for not pursuing the enhancement of data availability through the TOP system, FMS did not present an alternative that would fully achieve what the law requires. We believe that a first step in deciding the scope of an enhancement effort would reasonably entail assessing the costs and benefits of factors such as those FMS used in commenting on our recommendations. Among these would be changes, if any, to current data collection methods; systems review and redesign; and resources required. Also, there would need to be consideration of the anticipated benefits of having stronger repayment incentives for delinquent debtors and of ultimately avoiding additional loans to already delinquent debtors, which logically would carry added risk of additional losses. FMS's comments do not address these potential benefits.

As stated in our report, the federal government does not yet have an effective data source for adequately implementing DCIA's debtor bar provision. Limitations on the length of time that information on individual delinquent debts is available through credit bureaus are beyond the immediate influence of the federal government, and CAIVRS reporting is voluntary and is not nearly as complete as the information in the TOP database. As a result, we have taken the position that the best opportunity to fill in some of the key data gaps for identifying delinquent debtors over extended time frames is by augmenting and retaining data that are routinely required to be reported to the TOP database. Enhancing or supplementing information from the TOP database for use in the Debt Check Program could provide federal credit agencies access to a more comprehensive and centralized database of delinquent federal debtors that the agencies now lack. It is important to note that HUD, which designed and administers CAIVRS, stated in its comments that it agreed with the recommendations in our draft report that a single, complete, and comprehensive source of information regarding delinquent debtors would better support the debtor bar provision of DCIA. HUD supported our case for recommending that information from TOP be modified and used as the primary tool for barring delinquent debtors from obtaining additional financial assistance.

We agree with FMS that the cost associated with creating and building a more comprehensive database of delinquent debt needs to be considered. However, for most of the new capacity we asked FMS to consider—namely,

the 10-plus-year-old delinquent debt and other discharged debts that are no longer subject to TOP—there may be relatively little extra cost. In essence, these categories of delinquent debt would have to be maintained in such a way to ensure they were not used for the TOP program, but that they would continue to be accessible for determining whether new applicants had delinquent, unresolved debt. Any such added costs for FMS would have to be considered along with costs other agencies would incur to provide data not now provided to TOP. Any expected additional FMS and agency costs would have to be weighed against the ongoing increased risk of not having a viable and comprehensive tool for meeting the requirements of the DCIA debtor bar provision.

Concerning FMS's authority to obtain and use the type of data discussed in this report, we do not see insurmountable issues. FMS has the lead role for debt collection governmentwide and could determine whether it now has regulatory options or whether it would need to work with the Congress to obtain the requisite added authority to assist other federal agencies in identifying delinquent federal debtors in order to meet the express requirements of the DCIA debtor bar provision. We have not recommended that FMS carry out any roles or responsibilities not contemplated by DCIA. Further, much of the additional information that we have asked FMS to maintain for purposes of implementing the debtor bar provision would have already been reported to FMS by agencies with debt more than 180 days delinquent. From our perspective, the challenge is one of maintaining and organizing the data for the specific use of barring delinquent debtors. However, if FMS continues to question whether it has adequate authority to carry out the existing DCIA debtor bar provision, we would encourage it to seek that authority. We would be willing to collaborate with FMS on that effort.

Regarding the adequacy of existing data sources for carrying out the DCIA debtor bar provision, our review showed that individually and collectively, they currently fall short of what is needed to more fully implement this provision. We agree with FMS's observation that because lending agencies are required to obtain credit reports for creditworthiness determinations, credit bureaus are a primary source of the information necessary to determine loan eligibility. However, as stated in our report, credit reports do not typically contain data on delinquent consumer debt beyond 7 years, which limits their use to bar delinquent debtors, and debt information in CAIVRS is limited because reporting is voluntary. Also, debt more than 10 years delinquent and agency-discharged debt are typically removed from TOP because they are no longer eligible for offset. Because of these

shortfalls in the existing data sources available to agencies for identifying delinquent federal debtors, we continue to believe that our recommendations to augment what FMS is now referring to as the Debt Check Program presents the best opportunity for agencies to be able to implement the DCIA debtor bar provision.

As agreed with your office, unless you announce its contents earlier, we plan no further distribution of this report until 30 days after its issuance date. At that time, we will send copies to the chairmen and ranking minority members of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and to the ranking minority member of your subcommittee. We will also provide copies to the heads of the agencies we surveyed, the secretary of the treasury, and the commissioner of FMS. We will then make copies available to others upon request.

Please contact me at (202) 512-3406 or Kenneth R. Rupar, assistant director, at (214) 777-5714 if you or your staff have any questions about this report. Key contributors to this report are listed in appendix VI.

Sincerely yours,

Gary T. Engel

Gary T. Engel
Director
Financial Management and Assurance

Respondents to the Debt Reporting Practices Survey

A total of nine agencies participated in our debt-reporting practices survey. Because debt-reporting activities typically vary within these agencies, we provided a survey for each Treasury Report on Receivables submitted by the agencies and requested a response that would account for all debts contained in that report. As such, we obtained responses from a total of 90 reporting entities within these agencies. The following is a list of the agencies, by bureau within each agency. The number in parentheses following each bureau or agency represents the number of reporting entities within that bureau or agency.

Department of Agriculture

- U.S. Department of Agriculture (1)
- Forest Service (1)
- Commodity Credit Corporation (4)
- Rural Development and Farm Service Agency (5)
- Agricultural Marketing Service (1)
- Federal Crop Insurance Corporation (2)
- Rural Utilities Service (3)
- Agriculture Stabilization and Conservation Service (1)
- Food and Nutrition Service (1)
- Rural Development (3)

Department of Education

- Office of Postsecondary Education (7)
- Departmental Management (1)

Department of Energy

- Energy Programs (1)
- Departmental Administration (1)
- Bonneville Power Administration (1)
- Southeastern Power Administration (1)
- Southwestern Power Administration (1)
- Western Area Power Administration (1)

Environmental Protection Agency (2)

Department of Health and Human Services

- Substance Abuse and Mental Health Administration (1)
- Program Support Center (1)
- Health Resources and Services Administration (5)
- Centers for Medicare and Medicaid Services (4)
- Food and Drug Administration (1)
- Office of the Secretary (1)
- National Institutes of Health (1)
- Centers for Disease Control (1)
- Health Resources and Services Administration Indian Health Services (1)
- Administration for Children and Families (1)
- Administration on Aging (1)

Department of Housing and Urban Development

- Housing Programs (8)
- Public and Indian Housing Programs (1)
- Government National Mortgage Association (1)
- Community Planning and Development (2)
- Policy, Development and Research (1)
- Management and Administration (1)

Small Business Administration (4)

Social Security Administration (5)

Department of Veterans Affairs

- Veterans Benefits (3)
- Medical and Construction (3)
- Housing Credit Assistance (3)
- Administration and Cemeteries (1)
- Life Insurance (1)

Debt Reporting Practices Survey

U.S. General Accounting Office

SURVEY OF DEBT REPORTING PRACTICES

Introduction

The U.S. General Accounting Office has been asked to study the implementation of the Debt Collection Improvement Act (DCIA) of 1996. As a part of our study, we are sending this questionnaire to selected agencies and reporting entities within agencies to ask about their delinquent debt reporting practices.

Most of the questions in this questionnaire can be answered by circling answers or filling in blanks. Space has been provided at the end of the questionnaire for any additional comments

Please return your completed questionnaire to:

U.S. General Accounting Office
Ms. Linda Sanders
1999 Bryan Street, Suite 2200
Dallas, TX 75201-6848

Or, you may fax your completed questionnaire to: Ms. Linda Sanders at (214) 777-5758.

If you have any questions, please call either Linda Sanders at (214) 777-5655 or Matthew Valenta at (214) 777-5697.

Thank you very much for your assistance.

Glossary

The following terms are used in this survey. Please refer to these definitions when answering questions where they appear.

Administrative Receivable: Any receivable other than a direct loan or a defaulted guaranteed loan, such as, but not limited to: fines, penalties, sales of goods and services, overpayments of salaries and benefits, and travel advances.

Credit Alert Interactive Voice Response System (CAIVRS): A Federal government interagency shared database, established by the Department of Housing and Urban Development (HUD). CAIVRS is used to alert participating Federal agencies or its lenders that an applicant for credit benefits has a Federal loan which is currently in default or foreclosure, has had a claim paid by the reporting agency, or against whom a Federal lien judgement has been obtained.

Co-obligor: Individuals or other persons who are directly liable on a debt (e.g., co-signer on a loan). Co-obligor does not include guarantors of a loan.

Commercial: A **business** activity, regardless of whether that activity has been undertaken by an individual or business (for example, a loan to a farmer to purchase additional land for farming; a loan for multi-family housing; a loan made to a university or college for housing; a fine against a business or an organization; or assessment against a business/corporation).

Consumer: A **personal** activity (for example, a loan made to an individual to purchase a residence; a loan made to an individual to attend an educational institution; a travel advance; or assessment against an individual).

Cross-servicing: A process whereby Treasury's Financial Management Service (FMS) attempts to collect delinquent non-tax Federal debts on behalf of other Federal agencies. Under the Debt Collection Improvement Act of 1996 (DCIA), agencies are generally required to refer debts delinquent 180 days to FMS for cross-servicing.

Direct Loan: A receivable created when the Government agrees to disburse funds and contracts with the debtor for repayment, with or without interest.

Glossary continues on next page.

1

Glossary (Continued)

Defaulted Guaranteed Loan: A receivable created when the Government acquires a guaranteed loan in satisfaction of a default or other claim.

Delinquent: The failure of the debtor to pay an obligation by the date specified in the agency's initial written notification or applicable contractual agreement, unless other satisfactory payment arrangements have been made by that date. Delinquency would also occur if, at anytime thereafter, the debtor fails to satisfy the obligations under the payment arrangement with the creditor agency.

Guarantor: Individuals or other persons who owe on a delinquent debt as a result of an obligation to pay under a guaranty. Once the guarantor's obligation to pay is triggered and the obligation is not paid in accordance with the terms and conditions of the guaranty, the defaulted obligation would be an outstanding debt in delinquent status. Guarantor does not include a Federal agency's guarantee of loans.

Treasury Offset Program (TOP): A centralized debt collection program developed by Treasury's Financial Management Service (FMS) and operated through its Regional Financial Centers (RFCs). Under TOP, FMS matches a database of delinquent Federal non-tax debtors against certain payments disbursed by Treasury. When a match occurs, the payment is intercepted and the debt is offset up to the amount of the debt.

1. What is the name of your reporting entity for the Treasury Report on Receivables (TROR)?

Agency: ________________________________
Bureau: ________________________________
Entity : ________________________________

1a. Who should GAO contact to inquire about information in this questionnaire?

Name: ______________________________
Telephone: (______)____________________
E-mail address: ________________________

2. What appeared in the TROR for the fourth quarter of fiscal year 2000 for your entity for:

a. Total receivables $ ___________________
b. Total delinquencies $ ___________________

2

3. What types of **administrative receivables** are owed to your entity? *(Circle all that apply.)*
(Note: Administrative receivables do not include direct loans or defaulted guaranteed loans.)

1 Fines
2 Penalties
3 Debts for goods and services received
4 Unused travel advances
5 Unreimbursed overpayments of salary
6 Unreimbursed overpayments of benefits
7 Other (Describe) ________________________
8 None (No administrative receivables)

QUESTION 4 – QUESTIONS ABOUT THREE TYPES OF DEBT (Three types of consumer debts and three types of commercial debts.)

	Type of debt					
	Consumer debts			**Commercial debts**		
4. Does your entity have each of these types of debt?	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
(INSTRUCTIONS: Circle the answer for each type of debt to the right →.) *(NOTE: If your entity does not have a type of debt, skip that type of debt in all further questions.)*	1 Yes 2 No *(Skip this column in all tables)*	1 Yes 2 No *(Skip this column in all tables)*	1 Yes 2 No *(Skip this column in all tables)*	1 Yes 2 No *(Skip this column in all tables)*	1 Yes 2 No *(Skip this column in all tables)*	1 Yes 2 No *(Skip this column in all tables)*

3

QUESTION 5: CREDIT BUREAU REPORTING

5 - Questions About Reporting To Credit Bureaus	Type of debt					
	Consumer debts			Commercial debts		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
A. For each type of delinquent debt, how much is reported directly by your entity to credit bureaus? *(Circle the answer for each type of debt to the right. →)* [DEFINITION: "All" means all the delinquent debts of this type are reported.]	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known
ANSWER IF ANY TYPE OF DELINQUENT DEBT IS **NOT** ALL REPORTED TO CREDIT BUREAUS B. Which of the following is a reason for NOT reporting all of this type of delinquent debt?						
a. We rely on Treasury's cross-servicing for credit bureau reporting.	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes
b. We are precluded by law or regulation. [IF PRECLUDED cite specific law or regulation.]	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*
c. Other reason for NOT reporting. *(If more room needed, attach additional sheet and specify question number.)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*

AT THIS POINT, IF YOU HAVE RESPONDED THAT NO DEBTS ARE REPORTED TO CREDIT BUREAUS: SKIP TO QUESTION 6

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QUESTION 5 (CONTINUED) - CREDIT BUREAU REPORTING

ANSWER FOR EACH TYPE OF DELINQUENT DEBT REPORTED TO CREDIT BUREAUS	**Type of debt**					
	Consumer debts			**Commercial debts**		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
C. At how many days of delinquency do you first report a debt to a credit bureau?						
[DEFINITIONS: "Prior" is Prior to the delinquency. "1-90" is 1 to 90 days delinquent.]	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known
D. What **consumer** credit bureaus do you report to for each type of delinquent debt?						
a. Experian	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No			
b. Equifax	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No			
c. TransUnion	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No			
d. Other credit bureaus *(List)*	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No			
E. IF YOU DO **NOT** REPORT TO ALL THREE MAJOR CONSUMER CREDIT BUREAUS ABOVE: Why do you NOT report to all three?	*(Reason for NOT reporting to all three.)*					
F. What **commercial** credit bureaus do you report to for each type of delinquent debt?						
a. Experian				1 Yes 2 No	1 Yes 2 No	1 Yes 2 No
b. Dun & Bradstreet				1 Yes 2 No	1 Yes 2 No	1 Yes 2 No
c. Other credit bureaus *(List)*				1 Yes 2 No	1 Yes 2 No	1 Yes 2 No
G. IF YOU DO **NOT** REPORT TO BOTH MAJOR COMMERCIAL CREDIT BUREAUS ABOVE: Why do you NOT report to both?				*(Reason for NOT reporting to both.)*		

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QUESTION 5 (CONTINUED) - CREDIT BUREAU REPORTING

	Type of debt					
	Consumer debts			**Commercial debts**		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
H. How often do you report delinquent debts to credit bureaus? *(Circle most often.)*						
[DEFINITIONS: "Monthly" is at least monthly, e.g. weekly, monthly. "Quarterly" is at least quarterly, e.g. not "monthly", but at least every 3 months. "Semi-annually" is at least every 6 months, e.g. not "quarterly", but at least every 6 months. "Annually" is at least once a year, e.g. not "semi-annually", but at least once a year. [IF "Other": Explain when you report.]	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*
[Explain if not "monthly" for consumers or "quarterly" for commercial.] →	IF **NOT** AT LEAST **MONTHLY** FOR **CONSUMER** CREDIT BUREAUS: Why are debts NOT reported at least monthly?			IF **NOT** AT LEAST **QUARTERLY** FOR **COMMERCIAL** CREDIT BUREAUS: Why are debts NOT reported at least quarterly?		
I. Under what circumstances, if any, do you request credit bureaus to remove debtors from the credit bureau's data-base?	**Consumer debts**			**Commercial debts**		
a. Entire debt is declared invalid	1 Yes 2 No			1 Yes 2 No		
b. Debt is compromised	1 Yes 2 No			1 Yes 2 No		
c. Repayment agreement is established	1 Yes 2 No			1 Yes 2 No		
d. Debt is discharged	1 Yes 2 No			1 Yes 2 No		
e. Debt is written off	1 Yes 2 No			1 Yes 2 No		
f. Debt is in forebearance	1 Yes 2 No			1 Yes 2 No		
g. Debtor is in bankruptcy	1 Yes 2 No			1 Yes 2 No		
h. Debt is in appeal process	1 Yes 2 No			1 Yes 2 No		
i. Other - Please describe:	1 Yes			1 Yes		
	1 Yes			1 Yes		
	1 Yes			1 Yes		

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QUESTION 6: CAIVRS REPORTING

6 – Questions About CAIVRS Reporting	Type of debt					
	Consumer debts			Commercial debts		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
A. For each type of delinquent debt, how much is reported directly by your entity to CAIVRS? *(Circle the answer for each type of debt to the right. →)* [DEFINITION: "All" means all the delinquent debts of this type are reported.]	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known
ANSWER IF ANY TYPE OF DELINQUENT DEBT IS **NOT** ALL REPORTED TO CAIVRS B. Which of the following is a reason for NOT reporting all of this type of delinquent debt?						
a. We rely on Treasury's cross-servicing for CAIVRS reporting.	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes
b. We are precluded by law or regulation. [IF PRECLUDED cite specific law or regulation.]	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*
c. Other reason for NOT reporting.	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*

AT THIS POINT, IF YOU RESPONDED THAT <u>NO</u> DEBTS ARE REPORTED TO CAIVRS: SKIP TO QUESTION 7

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QUESTION 6 (CONTINUED) - CAIVRS REPORTING

ANSWER FOR EACH TYPE OF DELINQUENT DEBT REPORTED TO CAIVRS	**Type of debt**					
	Consumer debts			**Commercial debts**		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
C. At how many days of delinquency do you first report a debt to CAIVRS?						
[DEFINITIONS: "Prior" is Prior to the delinquency. "1-90" is 1 to 90 days delinquent.]	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known
D. How often do you report delinquent debts to CAIVRS? *(Circle most often.)*						
[DEFINITIONS: "Monthly" is at least monthly, e.g. weekly, monthly. "Quarterly" is at least quarterly, e.g. not "monthly", but at least every 3 months. "Semi-annually" is at least every 6 months, e.g. not "quarterly", but at least every 6 months. "Annually" is at least once a year, e.g. not "semi-annually", but at least once a year. [IF "Other": Explain when you report.]	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*	1 Monthly 2 Quarterly 3 Semi-annually 4 Annually 5 Other *(Explain)*

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QUESTION 6 (CONTINUED) - CAIVRS REPORTING

E. Under what circumstances, if any, do you request HUD to remove debtors from the CAIVRS database?	Type of debt	
	Consumer debts	**Commercial debts**
a. Entire debt is declared invalid	1 Yes 2 No	1 Yes 2 No
b. Debt is compromised	1 Yes 2 No	1 Yes 2 No
c. Repayment agreement is established	1 Yes 2 No	1 Yes 2 No
d. Debt is discharged	1 Yes 2 No	1 Yes 2 No
e. Debt is written off	1 Yes 2 No	1 Yes 2 No
f. Debt is in forebearance	1 Yes 2 No	1 Yes 2 No
g. Debtor is in bankruptcy	1 Yes 2 No	1 Yes 2 No
h. Debt is in appeal process	1 Yes 2 No	1 Yes 2 No
i. Other - Please describe:	1 Yes	1 Yes
	1 Yes	1 Yes
	1 Yes	1 Yes
	1 Yes	1 Yes

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QUESTION 7: REFERRING DEBT TO TOP

7 - Questions About Referring Debt To TOP	**Type of debt**					
	Consumer debts			**Commercial debts**		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
A. For each type of delinquent debt, how much is referred directly by your entity to TOP? *(Circle the answer for each type of debt to the right. →)* [DEFINITION: "All" means all the debts of this type are referred.]	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known
ANSWER IF ANY TYPE OF DELINQUENT DEBT IS **NOT** ALL REFERRED TO TOP BY YOUR ENTITY B. Which of the following is a reason for NOT referred all of this type of delinquent debt?						
a. We rely on Treasury's cross-servicing for TOP referrals.	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes	1 No 2 Yes
b. We are precluded by law or regulation. [IF PRECLUDED cite specific law or regulation.]	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*	1 No 2 Yes *(Give citation)*
c. Other reason for NOT referring.	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*	1 No 2 Yes *(List reasons)*

AT THIS POINT, IF YOU RESPONDED THAT <u>NO</u> DEBTS ARE REFERRED TO TOP: SKIP TO QUESTION 8.

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QUESTION 7 (CONTINUED) – REFERRING DEBT TO TOP

ANSWER FOR EACH TYPE OF DEBT REFERRED TO TOP	Type of debt					
	Consumer debts			**Commercial debts**		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
C. At how many days of delinquency do you first refer a debt to TOP?						
[DEFINITIONS: "Prior" is Prior to the delinquency. "1-90" is 1 to 90 days delinquent.]	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known
D. How often do you update your referrals of delinquent debts to TOP? *(Circle most often)*						
[DEFINITIONS: "Weekly" is at least weekly, e.g. daily, once a week. "Monthly" is at least monthly, e.g. not "weekly", but at least once a month. "Quarterly" is at least quarterly, e.g. not "monthly", but at least every 3 months. "Semi-annually" is at least every 6 months, e.g. not "quarterly", but at least every 6 months. "Annually" is at least once a year, e.g. not "semi-annually", but at least once a year. [IF "Other": Explain when you report.]	1 Weekly 2 Monthly 3 Quarterly 4 Semi-annually 5 Annually 6 Other *(Explain)*	1 Weekly 2 Monthly 3 Quarterly 4 Semi-annually 5 Annually 6 Other *(Explain)*	1 Weekly 2 Monthly 3 Quarterly 4 Semi-annually 5 Annually 6 Other *(Explain)*	1 Weekly 2 Monthly 3 Quarterly 4 Semi-annually 5 Annually 6 Other *(Explain)*	1 Weekly 2 Monthly 3 Quarterly 4 Semi-annually 5 Annually 6 Other *(Explain)*	1 Weekly 2 Monthly 3 Quarterly 4 Semi-annually 5 Annually 6 Other *(Explain)*

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QUESTION 7 (CONTINUED) - REFERRING DEBT TO TOP

E. Under what circumstances, if any, do you request Treasury to remove debtors from the TOP database?	Type of debt	
	Consumer debts	**Commercial debts**
a. Entire debt is declared invalid	1 Yes 2 No	1 Yes 2 No
b. Debt is compromised	1 Yes 2 No	1 Yes 2 No
c. Repayment agreement is established	1 Yes 2 No	1 Yes 2 No
d. Debt is discharged	1 Yes 2 No	1 Yes 2 No
e. Debt is written off	1 Yes 2 No	1 Yes 2 No
f. Debt is in forebearance	1 Yes 2 No	1 Yes 2 No
g. Debtor is in bankruptcy	1 Yes 2 No	1 Yes 2 No
h. Debt is in appeal process	1 Yes 2 No	1 Yes 2 No
i. Other - Please describe:	1 Yes	1 Yes
	1 Yes	1 Yes
	1 Yes	1 Yes
	1 Yes	1 Yes

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QUESTION 8: CO-OBLIGORS (Does not include Guarantors)

8 - Questions about co-obligors for consumer and commercial debts	**Type of debt** — **Consumer debts**	**Type of debt** — **Commercial debts**
A. Does your entity have co-obligors for each of these types of delinquent debt? *(INSTRUCTIONS: Circle the answer for each type of debt to the right →.)*	1 Yes 2 No *(Skip this column for co-obligors questions.)*	1 Yes 2 No *(Skip this column for co-obligors questions.)*

IF NO CO-OBLIGORS: SKIP TO QUESTION 9.

	Type of debt					
	Consumer debts			**Commercial debts**		
	Type of data source			Type of data source		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
B. For each type of delinquent debt owed by co-obligors, how much is reported directly by your entity to each data source? *(Circle the answer for each type of debt to the right. →)* [DEFINITION: "All" means all the delinquent debts of this type are reported.]	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known
ANSWER IF ANY TYPE OF DELINQUENT DEBT OWED BY CO-OBLIGORS IS **NOT** ALL REPORTED TO A DATA SOURCE C. Why is this type of delinquent debt which is owed by co-obligors not all reported?						
D. Does your entity plan to report all co-obligor debt to these data sources in the future? [IF "Yes": When do you plan to begin reporting all co-obligor debt? →]	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*

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QUESTION 8 (CONTINUED) - CO-OBLIGORS (Does <u>not</u> include Guarantors)

	Type of debt					
	Consumer debts			**Commercial Debts**		
	Type of data source			Type of data source		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
ANSWER FOR EACH TYPE OF DEBT OWED BY CO-OBLIGORS THAT IS REPORTED E. At how many days of delinquency do you first report a debt for a co-obligor to each data source?						
[DEFINITIONS: "Prior" is Prior to the delinquency. "1-90" is 1 to 90 days delinquent.]	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known

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QUESTION 9: GUARANTORS OF DEFAULTED DEBTS

9 - Questions About Guarantors for consumer and commercial debts	**Type of debt**	
	Consumer debts	**Commercial debts**
A. Does your entity have guarantors (other than your agency) of defaulted debts for each of these types of debt? *(INSTRUCTIONS: Circle the answer for each type of debt to the right →.)*	1 Yes 2 No *(Skip this column for guarantors questions)*	1 Yes 2 No *(Skip this column for guarantors questions)*

IF NO GUARANTORS OF DEFAULTED DEBTS: SKIP TO QUESTION 10.

	Consumer debts			**Commercial debts**		
	Type of data source			Type of data source		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
B. For each type of delinquent debt owed by a guarantor, how much is reported directly by your entity to each data source? *(Circle the answer for each type of debt to the right. →.)* [DEFINITION: "All" means all the debts of this type are reported.]	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known
ANSWER IF ANY TYPE OF DEFAULTED DEBT OWED BY A GUARANTOR IS **NOT** ALL REPORTED TO A DATA SOURCE C. Why is this type of defaulted debt not all reported?						

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QUESTION 9 (Continued) -GUARANTORS OF DEFAULTED DEBTS

	Type of debt					
	Consumer debts			**Commercial debts**		
	Type of organization			Type of organization		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
D. Does your entity plan to report all defaulted debt owed by a guarantor to these data sources in the future?						
[IF "Yes": When do you plan to begin reporting all guarantors debt? →]	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*

ANSWER FOR EACH TYPE OF DEFAULTED DEBT OWED BY A GUARANTOR THAT IS REPORTED						
E. At how many days of delinquency do you first report a guarantor of a defaulted debt to each data source?						
[DEFINITIONS: "Prior" is Prior to the delinquency. "1-90" is 1 to 90 days delinquent]	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known
F. Which type of credit bureau, if either, is the guarantor reported to?						
a. Consumer credit bureau?	1 Yes 2 No			1 Yes 2 No		
b. Commercial credit bureau?	1 Yes 2 No			1 Yes 2 No		

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QUESTION 10: INSURED OR GUARANTEED LOANS

10 - Questions About Insured Or Guaranteed Loans	Type of debt: Consumer debts	Type of debt: Commercial debts
A. Does your entity insure or guarantee loans? *(INSTRUCTIONS: Circle the answer for each type of debt to the right →.)*	1 Yes 2 No *(Skip this column for insured or guaranteed loan questions.)*	1 Yes 2 No *(Skip this column for insured or guaranteed loan questions.)*

IF NO INSURED OR GUARANTEED LOANS: SKIP TO QUESTION 11.

ANSWER FOR EACH TYPE OF DEBT RESULTING FROM CLAIMS PAID ON INSURED OR GUARANTEED LOANS	Type of debt					
	Consumer debts			**Commercial debts**		
	Type of data sources			Type of data sources		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
B. For each type of delinquent debt resulting from claims paid on insured or guaranteed loans, how much is reported directly by your entity to each data source? *(Circle the answer for each type of debt to the right. →)* [DEFINITION: "All" means all the delinquent debts of this type are reported.]	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known	0 None 1 Some 2 Most 3 All 4 Not known
C. For delinquent debts resulting from claims paid on insured or guaranteed loans that are reported, who reports the information? *(Circle all that apply for each type of data source.)*	1 Entity/ Agency 2 Lender 3 Other *(Specify)*	1 Entity/ Agency 2 Lender 3 Other *(Specify)*	1 Entity/ Agency 2 Lender 3 Other *(Specify)*	1 Entity/ Agency 2 Lender 3 Other *(Specify)*	1 Entity/ Agency 2 Lender 3 Other *(Specify)*	1 Entity/ Agency 2 Lender 3 Other *(Specify)*

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QUESTION 10 (CONTINUED) - INSURED OR GUARANTEED LOANS

	Type of debt					
	Consumer debts			**Commercial debts**		
	Type of data sources			Type of data sources		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
ANSWER IF ANY TYPE OF DELINQUENT DEBT RESULTING FROM CLAIMS PAID ON INSURED OR GUARANTEED LOANS IS **NOT** ALL REPORTED TO A DATA SOURCE						
D. Why is this type of delinquent debt not all reported?						
E. Does your entity plan to report all delinquent debts resulting from claims paid on insured or guaranteed loans to these data sources in the future?						
[IF "Yes": When do you plan to begin reporting all such debt? →]	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*	1 No 2 Yes(*When begin)*

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QUESTION 10 (CONTINUED) - INSURED OR GUARANTEED LOANS

ANSWER FOR EACH TYPE OF DEBT RESULTING FROM CLAIMS PAID ON INSURED OR GUARANTEED LOANS THAT IS REPORTED	**Type of debt**					
	Consumer debts			**Commercial debts**		
	Type of organization			Type of organization		
	Credit bureaus	CAIVRS	TOP	Credit bureaus	CAIVRS	TOP
F. From the date that the agency paid the claim or repurchased the insured or guaranteed loan, at how many days of delinquency is the insured or guaranteed loan reported to each data source? [DEFINITIONS: "Prior" is Prior to the delinquency. "1-90" is 1 to 90 days delinquent]	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known	1 Prior 2 1-90 day 3 91-120 4 121-180 5 Over 180 6 Not known
G. Does the credit bureau report state that the debtor defaulted on a debt that was covered by a Federal agency's insurance or guarantee payment?	1 Yes 2 No 3 Not known (If no, explain)			1 Yes 2 No 3 Not known (If no, explain)		

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QUESTION 11: CROSS-SERVICING

11 - Questions About Cross-Servicing Consumer And Commercial Debts	**Type of debt**	
	Consumer debts	**Commercial debts**
A. Does your entity transfer debts to Treasury's cross-servicing program for each type of debt? *(INSTRUCTIONS: Circle the answer for each type of debt to the right →.)*	1 Yes 2 No *(Skip this column for the following questions.)*	1 Yes 2 No *(Skip this column for the following questions.)*

	Type of debt					
	Consumer debts			**Commercial debts**		
	Category of debt			**Category of debt**		
	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable	Direct Loan	Defaulted Guaranteed Loan	Admin-istrative Receivable
B. Does your entity report delinquent debts to **credit bureaus** prior to referral to Treasury's cross-servicing program?	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No
C. Does your entity report delinquent debts to **CAIVRS** prior to referral to Treasury's cross-servicing program?	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No
D. Does your entity report delinquent debts to **TOP** prior to referral to Treasury's cross-servicing program?	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No	1 Yes 2 No
E. At how many days of delinquency does your entity first transfer a debt to Treasury for cross-servicing?	1-90 Days 91-120 121-180 181-365 Over 1 year	1-90 Days 91-120 121-180 181-365 Over 1 year	1-90 Days 91-120 121-180 181-365 Over 1 year	1-90 Days 91-120 121-180 181-365 Over 1 year	1-90 Days 91-120 121-180 181-365 Over 1 year	1-90 Days 91-120 121-180 181-365 Over 1 year

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12. Do you have any other comments about debt reporting practices that we should consider in our review of debt reporting at your entity?

1. No
2. Yes *(Please describe.)*

13. IF EXTRA SPACE IS NEEDED FOR ANSWERS TO PREVIOUS QUESTIONS, GIVE THE QUESTION NUMBER AND CONTINUE THE ANSWER HERE.

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Comments from the Financial Management Service

DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
WASHINGTON, D.C. 20227

COMMISSIONER

March 13, 2002

Mr. Gary T. Engel
Director, Financial Management and Assurance
General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Engel:

The Financial Management Service (FMS) has received for comment a copy of the draft report (GAO-02-462), entitled Debt Collection Improvement Act of 1996: Major Data Sources Inadequate for Implementing the Debtor Bar Provision. The draft report contains the following Recommendations for Executive Action that relate to the Department of the Treasury's FMS and its Treasury Offset Program (TOP) delinquent debtor database.

Recommendations for Executive Action

To assist federal agencies in identifying delinquent debtors for the purpose of complying with DCIA's debtor bar provision, we recommend that the Commissioner of FMS pursue maximizing the effectiveness of the Barring Delinquent Debtors Program by enhancing or supplementing information from the TOP database that will be made available for the program. Specifically, such enhancements should include data on

- *discharged debts that do not meet the criteria for debt resolution,*
- *debt delinquent more than 10 years, and*
- *debt normally excluded from TOP referral but delinquent for purposes of denying additional federal financial assistance (e.g., foreclosures).*

Comments

FMS does not concur with the report's recommendations for the following reasons:

- The recommendations are not an enhancement to the TOP computer systems, but in effect, are recommendations that would require FMS to develop, implement, and maintain a new computer system that would contain an expanded universe of information about all delinquent debts owed to the Federal Government. The design of FMS's Debt Check

Page 2- Mr. Gary Engel

Program (formerly known as the "Barring Delinquent Debtors Program") is based on the current data in the TOP system, which is collected for the purpose of effectuating offset to collect debts eligible for such collection remedy. As a result, the program is being developed in a relatively short period of time and with minimal impact on other FMS debt collection initiatives. The GAO recommendations would require significant changes to FMS's current data collection methods, require significant systems review and redesign, and detract valuable resources from our current automation effort which will be implemented later this fiscal year. In addition, successful implementation of the recommendations is dependent on Federal agencies' willingness to expend significant effort to submit the recommended information to TOP for the barring delinquent debtors purpose, rather than for the purpose of offset. FMS has no authority to require agencies to report such information to TOP as recommended in the draft report.

- The recommendations have significant Privacy Act implications. Under the Privacy Act, personal information may only be maintained pursuant to statutory authority and may only be disclosed to other agencies for purposes consistent with the purpose for which the information was collected. FMS maintains debtor information pursuant to its statutory authority to collect debts. It is questionable as to whether FMS has the authority to maintain and disclose information on debts that are no longer eligible for collection, such as discharged debts. Even where implementation is legally permitted, FMS and other Federal agencies would be required to comply with Privacy Act requirements, including the requirements of the Computer Matching and Privacy Protection Act. For example, agencies would be required to ensure that computer matching agreements, notices, and other requirements are met.

- FMS believes that the intent of the DCIA supports the idea that agencies would rely primarily on credit bureau reports to determine a loan applicant's eligibility. The DCIA and OMB guidance require agencies to report delinquent consumer debts to credit bureaus. One of the express purposes of the DCIA is to "rely on the experience and expertise of private sector professionals to provide debt collection services to Federal agencies." The private sector credit bureaus have the experience and expertise needed to maintain complete current and historical debtor information. Efforts to develop and implement a computer system containing information about all delinquent debts owed to the Federal Government would be largely duplicative of these existing private sector sources. Because lending agencies are required to obtain credit reports for creditworthiness determinations with respect to non-Federal debts, it makes sense to focus on credit bureaus as the primary source of the information necessary to determine loan eligibility.

- Because the DCIA did not contemplate the creation of a single all-inclusive database of past and present delinquent debt information available for the purpose of the bar provision, certain statutory provisions which would aid in the implementation of such a database do not exist. For example, the language of the debtor bar statute (31 U.S.C. 3720B), does not provide any method for paying for the cost of the system or its operations, and does not address the time consuming requirements mandated by the Computer Matching Act. By comparison, the statute which provides for implementation of offset, 31 U.S.C. 3716, provides for charging of a fee for implementing administrative offset and allows for that fee to be deposited into an account that may be used for FMS debt collection programs. Also, sections 3716(f) and (g) of title 31, United States Code, waive certain provisions of the Computer Matching Act (5 U.S.C. 552a(o), (p) and (u) in order to implement offset, which include waiver of the requirement of matching agreements and periodic review and approval by multiple data integrity boards.

- FMS does not agree with the report's conclusion that existing data sources are inadequate for implementing the DCIA's debtor bar provisions. There is significant relevant information available about debtors who are delinquent on federal debts through credit reports, the existing TOP database, CAIVRS, and self-certification by the loan applicant. Based on the figure provided in the draft report, there is a relatively high percentage of compliance by agencies of credit bureau reporting of delinquent debts, including almost all of the delinquent debts subject to foreclosure, a type of debt excluded from the TOP database.

- In our view, there will be significant benefits to agencies and governmentwide debt collection efforts of implementing the system that we are currently developing rather than to change requirements at this stage of the process to capture a small percentage of debt information not currently available. In addition, FMS believes a more cost-effective and efficient approach to ensuring the availability of adequate sources of delinquent debtor information is to focus on agency compliance with mandatory credit bureau reporting. We also believe increased emphasis should be placed on agency compliance with OMB guidance (OMB Circular A-129) requiring loan applicants to certify on loan applications that they are not delinquent on federal debts. To address the concern that some debt information may be missed because credit bureaus do not maintain debt information for more than seven years, FMS suggests exploring whether it is feasible or appropriate to legislatively exempt Federal debts from the seven-year bar to credit bureau reporting.

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Thank you for the opportunity to respond to this draft GAO report. If you have any questions or wish to discuss these comments further, please contact Dean Balamaci on (202) 874-6660.

Sincerely,

Richard L. Gregg

cc: Don Hammond, OFAS

Comments from the Department of Housing and Urban Development

U. S. Department of Housing and Urban Development
Washington, D.C. 20410–0100

OFFICE OF THE CHIEF FINANCIAL OFFICER

March 15, 2002

Mr. Gary T. Engel
Director
Financial Management and Assurance
U.S. General Accounting Office
441 G Street, NW, Room 5970
Washington, DC 20548

Dear Mr. Engel:

Thank you for the opportunity to comment on the draft report entitled, "Debt Collection Improvement Act (DCIA) of 1996: Major Data Sources Inadequate for Implementing the Debtor Bar Provision" (GAO-02-462). While there are no recommendations in this draft report for HUD, we agree with the General Accounting Office (GAO) that the Financial Management Service (FMS) should pursue maximizing the effectiveness of the Barring Delinquent Debtors Program by enhancing or supplementing information from the Treasury Offset Program (TOP) database.

While we are appropriately reporting delinquent debtors to credit bureaus, the Credit Alert Interactive Voice Response System (CAIVRS) and TOP, we agree that a single, complete and comprehensive source of information regarding delinquent debtors would better support the "debtor bar provision" of the DCIA. The draft report outlines a good case for GAO's recommendation that TOP should be modified and used as the primary tool for barring delinquent debtors.

Thank you for the opportunity to review and provide comments on the GAO report. If you have any questions, please contact Simin Narins of my staff, at (202) 708-4317 extension 3719.

Sincerely,

Angela M. Antonelli

Angela M. Antonelli
Chief Financial Officer

Comments from the Department of Veterans Affairs

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON
March 15, 2002

Mr. Gary T. Engel
Director, Financial Management
and Assurance
U. S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Engel:

This responds to your draft report, ***DEBT COLLECTION IMPROVEMENT ACT OF 1996: Major Data Sources Inadequate for Implementing the Debt Bar Provision*** (GAO-02-462). The Department of Veterans Affairs (VA) has reviewed the subject draft report and agrees with the Recommendations for Executive Action.

VA does offer the following comments as the draft report relates to our specific debt collection efforts. Under Treasury's regulation (31 CFR 285.13), a debt is delinquent if not paid within 90 days of the payment due date and delinquent debts may be used to deny Federal financial assistance. In discussing the effectiveness of information in the Treasury Offset Program (TOP) database, GAO suggests that agencies have discretion to accelerate referrals of delinquent debt to the TOP at 90 days instead of waiting 180 days. In GAO's opinion this action would not only enhance collections, but earlier referrals would also provide a more accurate database. VA does not deem it practical to refer debts earlier than 180 days as GAO suggests because of VA's 180-day due process timeframe for benefit payment debts under the jurisdiction of the Debt Management Center.

As part of the Department's implementation of the Debt Collection Improvement Act of 1996, VA is preparing a package of proposed VA debt collection regulations that includes a regulation barring delinquent debtors from getting additional financial benefits while a debt is outstanding. The proposed regulations are under final review.

I appreciate the opportunity to comment on your draft report.

Sincerely yours,

Anthony J. Principi

Anthony J. Principi

GAO Contact and Staff Acknowledgments

GAO Contact

Kenneth R. Rupar, (214) 777-5714

Acknowledgments

Other key contributors to this report were Richard T. Cambosos, Michael D. Hansen, Linda K. Sanders, and Matthew F. Valenta.

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